



National Credit Union Administration  
REGION I

Charter 17914

**Letter of Understanding and Agreement  
By and Between  
The National Credit Union Administration  
and  
The Suffolk Federal Credit Union**

In consideration of Suffolk FCU entering into this Agreement, the undersigned Regional Director hereby agrees to refrain from recommending any additional formal administrative action in connection with the specific conditions addressed in this Agreement as long as the Regional Director determines that the credit union and its officials make a sustained, effective, and good faith effort to comply with all terms of this Agreement, including any required time frames, or unless such administrative action is required by law or regulation.

In the event that the officials violate the terms of this Agreement, or NCUA discovers additional adverse conditions not addressed by this Agreement, it is understood that the NCUA may, in its sole discretion, take appropriate administrative action pursuant to the Federal Credit Union Act, 12 U.S.C. §1786, et. seq., including but not limited to civil money penalties, cease and desist orders, removal and prohibition orders, or orders to liquidate, conserve, or merge the credit union.

This Letter of Understanding and Agreement sets forth significant adverse conditions identified by the National Credit Union Administration as a result of its examination of the Suffolk Federal Credit Union, dated March 31, 2004, and the agreements reached with the credit union's officials to resolve them.

The significant adverse conditions were:

1. **Bank Secrecy Act.** The credit union was not properly monitoring its cash activity. This resulted in numerous instances where the credit union failed to file Currency Transaction Reports and, possibly, Suspicious Activity Reports, on a timely basis during and preceding 2004.

The agreed upon actions and time frames are:

## 1. Bank Secrecy Act

- a) The credit union shall take immediate steps to fully investigate potential violations of the Bank Secrecy Act (BSA) regarding Currency Transaction Report (CTR) and Suspicious Activity Report (SAR) requirements, which occurred between January 1, 1999, and the present. The scope of this investigation shall be as follows:
  - 1) Create a schedule of all cash activity greater than \$7,000, by member, for the period in question.
  - 2) Complete and file any and all CTRs not previously filed with the U.S. Treasury and, if necessary, any and all SARs with FinCEN covering the period between January 1, 1999, and the present.
  - 3) Complete Parts (a)(1) and (a)(2) by no later than October 31, 2005.
- b) The credit union shall, by November 30, 2004, amend its written compliance program to ensure it is fully compliant with its BSA policy, the BSA, and the NCUA Rules and Regulations.
- c) The credit union shall, by November 30, 2004, lower the cash activity report threshold from \$7,000 to \$3,000.
- d) The credit union shall, by March 31, 2005, engage an independent outside consultant/auditing firm with expertise in BSA matters to perform a BSA compliance review of the credit union. The credit union will provide the district examiner a copy of the engagement letter within 30 days of execution.
- e) The credit union shall, by December 31, 2005, have an independent consultant/auditing firm validate that management has accurately completed steps (a)(1) and (a)(2) above. The credit union will provide the district examiner a copy of the independent firm's report within 30 days of completion.
- f) The credit union shall provide, at a minimum, semi-annual training to all employees associated with BSA related transactions or oversight thereof, to ensure compliance with the BSA.
- g) The credit union's Internal Audit department will conduct monthly BSA compliance audits until the internal auditor can document three consecutive months of exception free audits that are approved by the Supervisory Committee.
- h) Subsequent to achieving three consecutive months of exception free audits, the internal auditor will continue to perform these audits on a quarterly basis through at least December 31, 2005. The Supervisory Committee will provide the district examiner a copy of the monthly and quarterly internal audit reports on BSA compliance within 30 days of completion.

The Regional Director will publish this Letter of Understanding and Agreement. It remains in effect until canceled by mutual agreement of the Suffolk Federal Credit Union and the National Credit Union Administration or until it is replaced by another Letter of Understanding and Agreement.

**For the Suffolk Federal Credit Union:**

Michael R. Kucera  
Chairman of the Board of Directors

Nov 22 2004  
Date

Alvin Galati  
Treasurer

Nov 22, 2004  
Date

[Signature]  
Secretary

Nov 22 2004  
Date

[Signature]  
Board Member

Nov 22, 2004  
Date

Thomas B. [Signature]  
Board Member

NOV. 22, 2004  
Date

Gilbert Clarke  
Board Member

Nov. 22, 2004  
Date

[Signature]  
Board Member

Nov 22, 2004  
Date

**For the National Credit Union Administration:**

Thomas J. DeSant  
Examiner

Nov 23, 2004  
Date

Joseph Burns  
Supervisory Examiner

Nov 26, 2004  
Date

Mark A. Reich  
Regional Director

DEC 13, 2004  
Date